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DEPARTMENT OF AUDITOR-CONTROLLER**

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August 20, 2007

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **SOLEDAD ENRICHMENT ACTION, INC. CONTRACT – A  
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Soledad Enrichment Action, Inc. (Soledad or Agency), a Workforce Investment Act (WIA) program provider.

**Background**

The Department of Community and Senior Services (DCSS) contracts with Soledad, a private non-profit organization, to provide and operate the WIA Foster Youth Special Needs program. WIA Foster Youth Special Needs program is a comprehensive training and employment program for foster youths who are pregnant or parenting and foster youths in need of work experience. Soledad is located in the First District.

Soledad is compensated on a cost reimbursement basis. Soledad's contract was for \$67,500 for Fiscal Year (FY) 2006-07.

**Purpose/Methodology**

The purpose of the review was to determine whether Soledad complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

*"To Enrich Lives Through Effective and Caring Service"*

### **Results of Review**

Soledad overbilled DCSS \$2,716 in unsupported and unallowable expenditures. Specifically:

- Soledad did not repay DCSS \$1,190 reported as an overbilling in our prior year's monitoring report.
- Soledad purchased supplies during the last month of FY 2005-06, totaling \$840, without prior written approval from DCSS. The County contract requires the contractor to complete all purchases of supplies before the last two months of the contract period unless prior written approval from DCSS is obtained.
- Soledad received \$59,619 in FY 2005-06. However, the Agency's general ledger for FY 2005-06 supported \$59,233 in expenditures, resulting in a difference of \$386 that was not recorded in the Agency's general ledger.
- Soledad's rent expenses for FY 2005-06 exceeded the budgeted amount by \$300. The County contract requires contractors to bill DCSS for actual expenditures not to exceed budgeted amounts.

Soledad billed DCSS payroll expenses based on budgeted amounts and not actual expenditures for three (75%) of the four employees as required by the County contract.

Details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with Soledad on June 22, 2007. In their attached response, Soledad concurred with our findings and recommendations. We notified DCSS of the results of the review.

We will follow-up our recommendations during next year's monitoring review. We thank Soledad for their assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Senior Ines Telles, Assistant Executive Director, Soledad Enrichment Action, Inc.  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
SOLEDAD ENRICHMENT ACTION, INC.  
FISCAL YEAR 2006-07**

**ELIGIBILITY**

**Objective**

Determine whether Soledad Enrichment Action, Inc. (Soledad or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for 10 (48%) of the 21 program participants that received services between July 2006 and January 2007 for documentation to confirm their eligibility for WIA program services.

**Results**

All ten participants met the eligibility requirements for the WIA program.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 10 (48%) program participants that received services from July 2006 through January 2007. We also interviewed three program participants/guardians.

**Results**

The three participants/guardians interviewed stated that the services the participants received met their expectations. However, Soledad did not exit one (10%) of the ten participants from the WIA program as required. Specifically, the participant did not receive any program services for over seven months. WIA guidelines require the

program provider to exit the participant from the program if the participant did not receive program services for a period of 90 days.

In addition, Soledad did not report program activities, such as supportive services provided for one (10%) of the ten participants on the Job Training Automation (JTA) System as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This was also noted in the prior year's monitoring report.

Subsequent to our review, Soledad exited the participant from the WIA program as required and updated the JTA system to reflect the program activities.

### **Recommendations**

#### **Soledad management:**

- 1. Ensure that participants who do not receive program services for more than 90 days are exited from the WIA program.**
- 2. Ensure that staff accurately update the JTA system to reflect the participants' program activities.**

### **CASH/REVENUE**

#### **Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

#### **Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the December 2006 bank reconciliation for the Agency's general operating checking account.

#### **Results**

Soledad maintained adequate internal controls to ensure that revenue was properly recorded and deposited in a timely manner. However, Soledad did not comply with their accounting policy that requires checks older than 180 days to be cancelled. Specifically Soledad's bank reconciliation reported 45 outstanding checks older than 180 days, totaling \$2,592.

**Recommendation**

3. **Soledad management ensure that outstanding checks older than 180 days are cancelled and funds are returned to the appropriate funding sources.**

**EXPENDITURES/PROCUREMENT**

**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and other documentation to support all 16 non-payroll expenditure transactions billed by the Agency for August and October 2006, totaling \$1,222.

**Results**

Soledad's expenditures were allowable, properly documented and accurately billed.

**Recommendation**

**There are no recommendations for this section.**

**INTERNAL CONTROLS/CONTRACT COMPLIANCE**

**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

Generally, Soledad maintained adequate internal controls over its business operations. However, Soledad did not maintain the required policies and procedures manuals. Specifically, Soledad did not maintain:

- A procurement policies and procedures manual containing procedures that complied with the federal and WIA guidelines. Soledad's procurement procedures did not require staff to conduct a price analysis prior to making purchases. Federal guidelines require that a cost or price analysis be performed for every procurement action and WIA guidelines require that three price quotes be documented for purchases over \$1,000. This was also noted in the prior year's monitoring report.
- A personnel policies and procedures manual containing procedures that complied with County contract requirements. Soledad's personnel procedures did not require staff to report child abuse or sign a statement that he/she knows of the reporting requirements and will comply with them. The County contract requires all employees, consultants or agents performing services under this contract to report child abuse, sign a statement that he/she knows of the reporting requirements and will comply with them.

Soledad also did not submit the July through December 2006 invoices to the Department of Community and Senior Services (DCSS) within ten working days of the following month as required by the County contract. This was also noted in the prior two years' monitoring reports.

### **Recommendations**

#### **Soledad management:**

- 4. Ensure that staff conduct a price analysis prior to making purchases.**
- 5. Ensure that the personnel and procurement manuals are in compliance with federal and WIA guidelines and distributed to personnel.**
- 6. Ensure that invoices are submitted to DCSS within the timeframes established by the County contract.**

### **FIXED ASSETS AND EQUIPMENT**

Determine whether Soledad's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as Soledad did not use WIA funds to purchase fixed assets or equipment.

## **PAYROLL AND PERSONNEL**

### **Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

### **Verification**

We traced and agreed payroll expenditures totaling \$4,605 (100%) for four employees for October 2006 to the Agency's payroll records and time reports. We also interviewed one employee and reviewed the personnel files for four employees assigned to the WIA program.

### **Results**

Soledad billed DCSS payroll expenditures based on budgeted amounts and not actual expenditures for three (75%) of the four administrative shared employees. According to the Agency's Cost Allocation Plan, shared administrative employees' payroll expenses are to be allocated based on documented direct charges. A similar finding was also noted on the prior year's monitoring report.

### **Recommendations**

#### **Soledad management:**

- 7. Ensure that costs billed to DCSS are based on accrual amounts not to exceed their approved budgeted amounts.**
- 8. Adjust their payroll expenditures to actual expenditures and repay DCSS for any overpayments received.**

## **COST ALLOCATION PLAN**

### **Objective**

Determine whether Soledad's Cost Allocation Plan was prepared in compliance with the county contract and the Agency used the plan to appropriately allocate shared program expenditures.

### **Verification**

We reviewed Soledad's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during August and October 2006 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

**Results**

As previously indicated, Soledad's billed DCSS salaries based on budgeted amounts instead of actual expenditures as required by the County contract. Therefore, we recommended that Soledad bills DCSS actual expenditures which do not exceed their approved budgeted amounts.

**Recommendation**

**Refer to Recommendation 7.**

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the agency's financial accounting records.

**Verification**

We traced and agreed the Agency's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. In addition, we reviewed prior year's general ledger for any duplicate postings or any unallowable costs and reviewed a sample of transactions from the FY 2005-06 general ledger.

**Results**

Soledad overbilled DCSS \$1,526 for unsupported or unallowable expenditures. Specifically:

- Soledad purchased supplies during the last month of the contract period, totaling \$840, without prior written approval from DCSS. The County contract requires the contractor to complete all purchases of supplies before the last two months of the contract period and exceptions to this requirement requires prior written approval from DCSS.
- Soledad received \$59,619 in FY 2005-06. However, the Agency's general ledger for FY 2005-06 supported \$59,233 in expenditures, resulting in a difference of \$386 that was not supported in the Agency's general ledger.
- Soledad's rent expenses for FY 2005-06 exceeded budgeted amount by \$300. The County contract requires contractors to bill DCSS for actual expenditures not to exceed budgeted amounts.

**Recommendations**

**Soledad management:**

- 9. Repay DCSS \$1,526 or provide documentation to support the expenditures.**
- 10. Ensure that supplies are not purchased within the last two months of the contract period without prior written approval from DCSS.**
- 11. Bill DCSS actual expenditures not to exceed budgeted amounts.**

**PRIOR YEAR FOLLOW-UP**

**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

**Verification**

We verified whether the outstanding recommendations from Fiscal Year 2005-06 monitoring review were implemented. The report was issued in October 2006.

**Results**

The prior monitoring report contained 14 recommendations. At the time of our current review, Soledad had implemented five (36%) of the 14 recommendations. Of the remaining nine recommendations, four recommendations required the Agency to repay DCSS for overbillings totaling \$1,190 and five recommendations are included in this report.

Soledad's management indicated they will repay DCSS for the overbilling and implement the five outstanding recommendations during FY 2007-08.

**Recommendations:**

**Soledad management:**

- 12. Immediately repay DCSS \$1,190.**
- 13. Implement the outstanding recommendations from FY 2005-06 monitoring report.**



July 3, 2007

J. Tyler McCauley  
Auditor-Controller:

**Re: Plan of Action for Findings and Recommendations for the WIA Foster Youth  
Special Needs #20228 contract for Fiscal Year 2006-2007.**

#### **BILLED SERVICES/CLIENT VERIFICATION**

##### **Results**

The three participants/guardians interviewed stated that the services the participants received met their expectations. However, Soledad did not exit one (10%) of the ten participants from the WIA program as required. Specifically, the participant did not receive any program services for the over seven months. However, WIA guidelines require the program provider to exit the participant from the program if the participant did not receive program services for a period of 90 days. In addition, Soledad did not report program activities, such as supportive services provided, for one (10%) of the ten participants on the Job Training Automation (JTA) System as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This was also noted in the prior year's monitoring report.

Subsequent to our review, Soledad exited the participant from the WIA program as required and updated the JTA system to reflect the program activities for the both incidences.

##### **Recommendations**

**Soledad management:**

- 1. Ensure that participants who do not receive program services for more than 90 days are exited from the WIA program.**

2. **Ensure that staff accurately update the JTA system to reflect the participants' program activities.**

**Plan of Action:**

1. *Soledad has exited participants who have not received program services for more than 90 days.*
2. *Soledad has updated the JTA system to reflect the participant's program activities.*

**CASH/REVENUE**

**Results**

Generally, Soledad maintained adequate internal controls to ensure that revenue was properly recorded and deposited in a timely manner. However, Soledad did not cancel 45 outstanding checks older than 180 days as required by the Agency's accounting policy, totaling \$2,592.

**Recommendation**

3. **Soledad management ensures that outstanding checks older than 180 days are cancelled and funds are returned to the appropriate funding sources.**

**Plan of Action:**

3. *Soledad is in the process of cancelling all outstanding checks older than 180 days.*

**INTERNAL CONTROLS/CONTRACT COMPLIANCE**

**Results**

Generally, Soledad maintained adequate internal controls over its business operations. However, Soledad did not maintain the required policy and procedure manuals. Specifically, Soledad did not maintain:

- A procurement policies and procedures manual containing procedures that complied with the federal and WIA guidelines. Soledad's procurement procedures do not require staff to conduct a price analysis prior to making purchases. Federal guidelines require that a cost or price analysis be performed for every procurement action, and WIA guidelines require that three price quotes be documented for purchases over \$1,000.

- A personnel policies and procedures manual containing procedures that complied with County contract requirement. Soledad's personnel procedures did not require staff to report child abuse or sign a statement that he/she knows of the reporting requirements and will comply with them. The County contract requires all employees, consultants or agents performing services under this contract to report child abuse, sign a statement that he/she knows of the reporting requirements and will comply with them.

In addition, Soledad did not submit the July through December 2006 invoices to DCSS within ten working days of the following month as required by the County contract. This was also noted in the prior two year's monitoring reports.

#### **Recommendations**

##### **Soledad management:**

- 4. Ensure that staff conduct a price analysis prior to making purchases.**
- 5. Ensure that the personnel and procurement manuals are in compliance with Federal and WIA guideline and distributed to personnel.**
- 6. Ensure that invoices are submitted to DCSS within the timeframes established by the County contract.**

##### **Plan of Action:**

- 4. SEA, Inc. will conduct price analysis prior to making purchases.*
- 5. SEA, Inc. will ensure that the personnel and procurement manuals are in compliance with Federal and WIA guidelines and distributed to personnel.*
- 6. SEA, Inc. will ensure that invoices are submitted to DCSS within the timeframes established by the County contract.*

#### **PAYROLL AND PERSONNEL**

##### **Results**

Soledad billed DCSS payroll expenses based on budgeted amounts and not actual expenditures for three (75%) of the four administrative shared employees. According to

the Agency's Cost Allocation Plan, shared administrative employees' payroll expenses are to be allocated based on documented direct charges. This finding was also noted on prior year's monitoring report.

**Recommendations**

**Soledad management:**

7. **Request for reimbursement based on documented direct charges and not budgeted amounts.**
8. **Adjust the FY 2006-2007 payroll expenses to actual expenditures and repay DCSS for any overpayments received.**

**Plan of Action:**

7. *Soledad will request for reimbursement based on documented direct charges and not budgeted amounts.*
8. *Soledad will adjust the FY 06-07 payroll expenses to actual expenditures.*

**CLOSE-OUT REVIEW**

**Results**

Soledad over billed DCSS \$1,526 for unsupported or unallowable expenditures. Specifically:

- Soledad purchased supplies during the last month of the contract period, totaling \$840, without prior written approval from DCSS. The County contract requires the contractor to complete all purchases of supplies before the last two months of the contract period and exceptions to this requirement requires prior written approval from DCSS.
- Soledad received \$59,619 in FY 2005-2006. However, the Agency's general ledger for FY 2005-2006 supported \$59,233 in expenditures, resulting in \$386 in unsupported expenditures.
- Soledad's rent expenses for FY 2005-2006 exceeded budgeted amount by \$300. The County contract requires contractors to request for reimbursement for actual expenditures not to exceed budgeted amounts.

**Recommendation:**

**Soledad Management:**

- 9. Repay DCSS \$1,526 or provide documentation to support the expenditures.**
- 10. Ensure that supplies are not purchased within the last two months of the contract period without prior written approval from DCSS.**
- 11. Ensure that the request for reimbursement does not exceed budgeted amounts.**

**Plan of Action:**

- 9. Soledad will repay DCSS \$1,526.*
- 10. Soledad will purchase supplies within the proper contract period.*
- 11. Soledad will ensure that the request for reimbursement does not exceed budgeted amounts.*

**PRIOR YEAR FOLLOW-UP**

**Results**

The prior monitoring report contained 14 recommendations. At the time of our review, Soledad implemented five (36%) of the 14 recommendations. This report contains five recommendations that were also noted during the prior year's monitoring review. The remaining four recommendations required the Agency to repay DCSS \$1,190 and for costs associated with providing services to an ineligible participant. Soledad's management indicated they were waiting for the Department of Community and Senior Services (DCSS) to provide resolution to their disagreement with our prior year's findings and recommendations. DCSS concurred with our recommendations and as such, Soledad needs to immediately implement our recommendations.

**Recommendation:**

- 12. Soledad management immediately repay DCSS \$1,190 and implement the outstanding recommendations from FY 2005-06 monitoring report.**

**Plan of Action:**

12. *Soledad will repay DCSS \$1,190 and implement the outstanding recommendations from the FY 2005-2006 monitoring report.*

**Thank you so much for your time and effort. If you have any questions, please feel free to contact me at 213-480-4200.**

**Sincerely,**

  
**Cesar Calderon**  
**Executive Director**